

**HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA,
A COMPONENT UNIT OF
LAWRENCE COUNTY, SOUTH DAKOTA**

**FINANCIAL STATEMENTS
(Audited)**

DECEMBER 31, 2012

**HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA**

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certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Housing and Redevelopment Commission of
Lawrence County, South Dakota
Sturgis, South Dakota

Report on Financial Statements

We have audited the financial statements of the governmental activities, and each major fund of the **Housing and Redevelopment Commission of Lawrence County, South Dakota, a component unit of Lawrence County, South Dakota**, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Housing and Redevelopment Commission of Lawrence County, South Dakota, as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing and Redevelopment Commission of Lawrence County, South Dakota's basic financial statements. The financial data schedules are presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The financial data schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements themselves, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2013, on our consideration of the Housing and Redevelopment Commission of Lawrence County, South Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing and Redevelopment Commission of Lawrence County, South Dakota's internal control over financial reporting and compliance.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
September 20, 2013

*Lawrence County Housing & Redevelopment Commission in South
Dakota*

*Management's Discussion and Analysis
For the Year Ended December 31, 2012*

Introduction

This Management's Discussion and Analysis (MD&A) of the Lawrence County Housing & Redevelopment Commission in South Dakota (Commission) provides an introduction and overview to the financial statements of the Lawrence County Housing & Redevelopment Commission for the fiscal year ended December 31, 2012. The Lawrence County Housing & Redevelopment Commission presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2012, to assist the reader in focusing on significant financial issues.

The primary focus of the Commission's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Lawrence County Housing & Redevelopment Commission. The information contained herein this MD&A should be considered in conjunction with the Commission's financial statements and related notes to the financial statements.

The Commission has one individual program, the Housing Choice Voucher Program which is currently being managed by the Mead County Housing & Redevelopment Commission in South Dakota.

- The Housing Choice Voucher Program provides rental assistance to aid low income families afford decent, safe, and sanitary rental housing. The Commission provides rental assistance in the form of a Housing Assistance Payment to a landlord on behalf of the tenant. The Commission currently has 291 units available. Funds are provided by HUD to provide rental assistance payments. The Commission is provided an administrative fee for the purpose of covering the administrative costs of the program. The fee is preset by HUD on an annual basis.

Overview of the Financial Statements

This overview of the financial statement is intended to inform and introduce the reader to the Commission's financial statements. The financial statements are comprised of three individual statements. These statements include:

- The Statement of Net Position
- The Statement of Activities
- The Statement of Cash Flows

*Lawrence County Housing & Redevelopment Commission in South
Dakota*

*Management's Discussion and Analysis-Cont.
For the Year Ended December 31, 2012*

The Statement of Net Position presents information on the assets, deferred outflows or resources, liabilities, and deferred inflows of resources with the differences between them being reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial situation of the Commission is improving or deteriorating. Net Position is comprised of three individual components:

- Net Investment in Capital Assets consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with the acquisition of these assets.
- Restricted component of net position consists of resources that are restricted by limitations placed on these resources by an external source or imposed by law through **constitutional provisions**.
- Unrestricted component of net position represents the remaining resources available that does not meet the definition of the above categories. The unrestricted component of Net Position is basically the amount of resources available for future year appropriations.

The Statement of Revenues, Expenses, and Changes in Net Position reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Commission for the fiscal year ended December 31, 2012, to determine the net change in Net Position for the fiscal year.

The Statement of Cash Flows reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended December 31, 2012.

Financial Highlights

The Lawrence County Housing & Redevelopment Commission's Net Position decreased from \$353,761 to \$217,789, a decrease of \$135,972 or 38%. Total assets also decreased by \$135,905 or 38%.

Total revenue decreased from \$1,274,323 to \$1,104,757, a decrease of \$169,566 or 13%.

Total expenses increased by \$30,235 from \$1,210,494 to \$1,240,729 for the current year. This represents an increase of 2%.

*Lawrence County Housing & Redevelopment Commission in South
Dakota*

*Management's Discussion and Analysis-Cont.
For the Year Ended December 31, 2012*

Commission Activities & Highlights

The Commission's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the year ended December 31, 2012, and December 31, 2011.

Summary Statement of Net Position

<u>Category</u>	<u>FYE 2012</u>	<u>FYE 2011</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 164,537	\$ 181,745	\$ (17,208)	-9%
Restricted Assets	\$ 58,055	\$ 176,752	\$ (118,697)	-67%
Total Assets	\$ 222,592	\$ 358,497	\$ (135,905)	-38%
Current Liabilities	\$ 4,803	\$ 4,736	\$ 67	1%
Total Liabilities	\$ 4,803	\$ 4,736	\$ 67	1%
Restricted	\$ 58,055	\$ 176,752	\$ (118,697)	-67%
Unrestricted	\$ 159,734	\$ 177,009	\$ (17,275)	-10%
Total Net Position	\$ 217,789	\$ 353,761	\$ (135,972)	-38%

Current Assets

Current assets decreased by \$17,208 from the previous year. Unrestricted cash and investments decreased from \$162,253 to 146,370, a decrease of \$15,883 from December 31, 2011 to December 31, 2012. This is due to operating expenses exceeding operating revenues.

Restricted Assets

Restricted assets decreased by \$118,697 due primarily to the use of restricted cash and investment balances from the previous year. Restricted cash decreased from \$176,752 to \$58,055 a decrease of \$118,697. This was due to the reduced funding for the 2012 calendar year from HUD. The 2012 calendar year's funding was offset by a mandatory offset of available HAP equity in the amount of \$107,442.

Net Position

The net position of the Commission decreased by \$135,972 from \$353,761 to \$217,789. As discussed in the earlier restricted assets section, the decrease was due in large part to the reduction of funding provided by HUD for HAP payments in the 2012 calendar year.

The Commission's unrestricted component of Net Position changed from \$177,009 to \$159,734, a change of \$17,275, or 10% for the current year. The primary reason for the decrease was due to excess operating expenditures over operating revenues for the current year. The unrestricted component of net position is the amount available for future appropriations. This balance is subject to program specific guidelines.

*Lawrence County Housing & Redevelopment Commission in South
Dakota*

*Management's Discussion and Analysis-Cont.
For the Year Ended December 31, 2012*

Overview of the Financial Statements-Cont.

The Commission's restricted component of Net Position decreased from \$176,752 to \$58,055, a decrease of \$118,697 for the current year. This decrease was the result of the Housing Choice Voucher Program's HAP costs exceeded the HAP funding by \$126,872 for the current year.

**Summary Statement of Revenues & Expenses and Changes in Net Position
Years Ended December 31, 2012 and 2011**

<u>Category</u>	<u>FYE 2012</u>	<u>FYE 2011</u>	<u>Change \$</u>	<u>Change %</u>
HUD Operating Grants	\$ 1,088,349	\$ 1,266,482	\$ (178,133)	-14%
Interest Income - Unrestricted	\$ 255	\$ 861	\$ (606)	-70%
Interest Income - Restricted	\$ 197	\$ 349	\$ (152)	-44%
Other Revenue	\$ 15,956	\$ 6,631	\$ 9,325	141%
Total Revenue	\$ 1,104,757	\$ 1,274,323	\$ (169,566)	-13%
Administration	\$ 164,452	\$ 157,286	\$ 7,166	5%
General Expense	\$ 6,584	\$ 11,525	\$ (4,941)	-43%
Housing Assistance Payments	\$ 1,069,693	\$ 1,037,701	\$ 31,992	3%
Depreciation	\$ -	\$ 3,982	\$ (3,982)	-100%
Total Expenses	\$ 1,240,729	\$ 1,210,494	\$ 30,235	2%
Increase (Decrease) in Net Position	\$ (135,972)	\$ 63,829	\$ (199,801)	-313%
Net Position, Beginning of Year	\$ 353,761	\$ 297,233	\$ 56,528	19%
Prior Period Adjustments	\$ -	\$ (7,301)	\$ 7,301	-100%
Net Position, End of Year	\$ 217,789	\$ 353,761	\$ (143,273)	-38%

Results of Operations

Revenues of the Commission are generated principally Federal and State funding grant income. The Commission's revenue decreased by \$169,566 compared to the previous fiscal year. The decrease in revenue was primarily a decrease of HUD operating funding as a result of the offset to available NRA balances mandated by the 2012 Appropriations Act and lower administrative fee funding levels. Other revenue increased due to a higher fraud receivables recorded in the current year.

Total expenses increased by \$30,235. Significant changes from the previous year include:

Administration costs increased by \$7,166 due to an increase in travel expenses by \$5,955 and the increase in office rent.

General expense decreased by \$4,941. This resulted from a reduction in collection losses associated with fraud receivables.

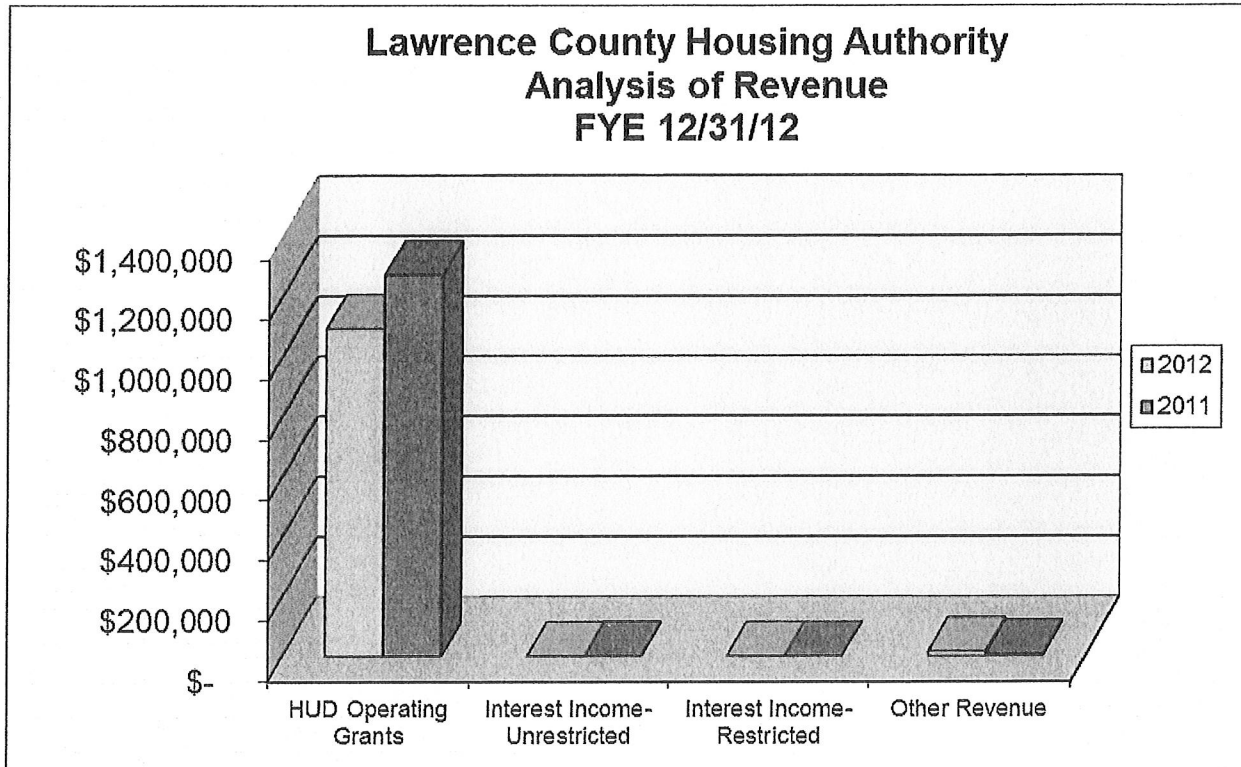
*Lawrence County Housing & Redevelopment Commission in South
Dakota*

*Management's Discussion and Analysis-Cont.
For the Year Ended December 31, 2012*

Results of Operations-Cont.

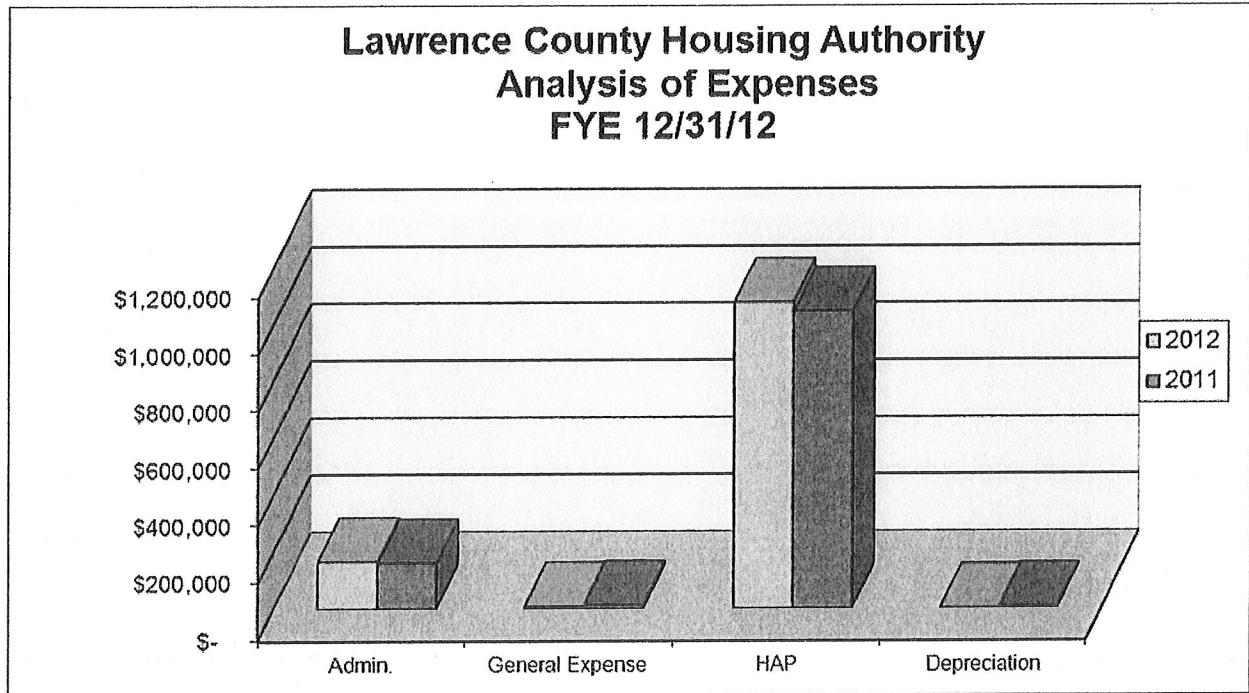
Housing Assistance Payments increased by \$30,235 due to higher units leased. The Commission leased 3,159 units in the previous year as compared to 3,196 in the current year.

The following presentations have been provided to demonstrate the revenues and expenses by summarized account category:



*Lawrence County Housing & Redevelopment Commission in South
Dakota*

*Management's Discussion and Analysis-Cont.
For the Year Ended December 31, 2012*



Subsequent Event

The amount of funding for the 2013 calendar year funding for the Housing Choice Voucher Program has not been finalized by HUD. Projections discussed for the year have included the proration of administrative fees being funded at 69% and HAP funding at 94%. These funding levels will result in lower revenues resulting in a decreased level of services that can be supported in the upcoming fiscal year.

Request for Information

This financial report is designed to provide a general overview of the Commission's accountability for all those interested.

If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Lawrence County Housing & Redevelopment Commission in South Dakota
Sharon Scudder, Contracting Officer
1220 Cedar Street # 113
Sturgis, SD 57785

**HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA**

**STATEMENT OF NET POSITION
AND GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2012**

	<u>General Fund</u>	<u>Reconciliation</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 204,426	\$ -	\$ 204,426
Receivables:			
Fraud recovery, net of allowance of \$6,407	6,407	-	6,407
Interest	9	-	9
Prepaid expenses	11,751	-	11,751
Capital assets, net of accumulated depreciation	<u>-</u>	<u>3,319</u>	<u>3,319</u>
Total Assets	<u>\$ 222,593</u>	<u>\$ 3,319</u>	<u>225,912</u>
LIABILITIES			
Accounts payable	\$ 300	\$ -	300
Deferred revenue	<u>4,504</u>	<u>-</u>	<u>4,504</u>
Total Liabilities	<u>4,804</u>	<u>-</u>	<u>4,804</u>
FUND BALANCES/NET POSITION			
Fund Balances:			
Restricted	58,055	(58,055)	-
Unassigned	<u>159,734</u>	<u>(159,734)</u>	<u>-</u>
Total Fund Balances	<u>217,789</u>	<u>(217,789)</u>	<u>-</u>
Net Position:			
Investment in capital assets	-	3,319	3,319
Restricted - excess housing assistance payments	-	58,055	58,055
Unrestricted	<u>-</u>	<u>159,734</u>	<u>159,734</u>
Total Net Position	<u>-</u>	<u>221,108</u>	<u>\$ 221,108</u>
Total liabilities and fund balances	<u>\$ 222,593</u>	<u>\$ 3,319</u>	

The accompanying notes are an
integral part of these financial statements

**HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA**

**RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012**

Total fund balances for governmental fund	\$	217,789
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Equipment	\$	27,952	
Accumulated depreciation		<u>(24,633)</u>	<u>3,319</u>
Total capital assets			

Total net position of governmental activities	\$	<u>221,108</u>
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The accompanying notes are an
integral part of these financial statements

**HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA**

**STATEMENT OF ACTIVITIES
AND GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
DECEMBER 31, 2012**

	General Fund	Reconciliation	Statement of Activities
EXPENDITURES/PROGRAM EXPENSES			
Housing:			
Administrative	\$ 164,452	\$ -	\$ 164,452
Ordinary maintenance	34	-	34
Insurance premiums	3,139	-	3,139
General	3,411	-	3,411
Housing assistance payments	1,069,693	-	1,069,693
Depreciation	<u>-</u>	<u>3,982</u>	<u>3,982</u>
Total expenditures/program expenses	<u>1,240,729</u>	<u>3,982</u>	<u>1,244,711</u>
PROGRAM REVENUES			
Operating grants and contributions:			
HUD PHA Grants	1,088,349	-	1,088,349
Fraud recovery	<u>15,956</u>	<u>-</u>	<u>15,956</u>
Total program revenues	<u>1,104,305</u>	<u>-</u>	<u>1,104,305</u>
GENERAL REVENUES			
Interest income	<u>452</u>	<u>-</u>	<u>452</u>
Total general revenues	<u>452</u>	<u>-</u>	<u>452</u>
Change in fund balances/net position	(135,972)	(3,982)	(139,954)
Fund balances/net position			
Beginning	<u>353,761</u>	<u>7,301</u>	<u>361,062</u>
Ending	<u>\$ 217,789</u>	<u>\$ 3,319</u>	<u>\$ 221,108</u>

The accompanying notes are an
integral part of these financial statements

**HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA**

RECONCILIATION OF STATEMENT OF THE REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2012

Net change in fund balances - total governmental fund	(\$135,972)
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$3,982) exceeded capital outlay (\$-0-) in the current period.

(3,982)

Change in net position of governmental activities	\$ <u>(139,954)</u>
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The accompanying notes are an
integral part of these financial statements

**HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Housing and Redevelopment Commission of Lawrence County, South Dakota was organized in 1991 pursuant to the Municipal Housing and Redevelopment Act of South Dakota as a public housing agency formed to provide financial assistance for low income public housing pursuant to the United States Housing Act of 1937, (42 U.S.C. 1401, et seq.). The county commission appoints the five members of the governing board for five-year staggered terms. The public housing authority (PHA) board elects its own chairperson and recruits and employs its management personnel and other workers. The local governing board of Lawrence County, South Dakota has the ability to veto or otherwise modify a housing commission's decision to construct a specific project and issue debt.

The primary government is Lawrence County, South Dakota.

Housing and Redevelopment Commission of Lawrence County, South Dakota complies with GASB Statement No. 14, *The Financial Reporting Entity*.

This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Commission considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the Commission's financial statements.

Nature of Business

Housing and Redevelopment Commission of Lawrence County, South Dakota, administers low-income housing assistance payment programs in Lawrence County, South Dakota. PAS/LOCCS Project No. SD048VO0084 is authorized to operate 294 units under the Section 8 Housing Choice Voucher Program.

**HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA**

**NOTES TO FINANCIAL STATEMENTS - continued
DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation

The Commission represents a public housing authority engaged in a single governmental program that provides financial assistance for low income public housing. As such, The Commission presents combined fund financial statements and government-wide statements.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. For the year ended December 31, 2012, the program revenues consist primarily of HUD PHA grants. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: Fund financial statements are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The Commission presently has no proprietary or fiduciary funds.

All the Commission's activities are accounted for within the General Fund, which is a governmental fund type. As all activities are accounted for within this fund, it is presented as a major governmental fund described as follows:

General Fund - the General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA**

**NOTES TO FINANCIAL STATEMENTS – continued
DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements

In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to a governmental fund type.

Basis of Accounting:

Government-wide Financial Statements

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting and revenues generally are recorded when they occur; and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests). Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Fund Financial Statements

The governmental fund is accounted for using the modified accrual basis of accounting. Its revenues generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. A 60 day availability period is used for recognition of governmental fund revenues.

**HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA**

**NOTES TO FINANCIAL STATEMENTS - continued
DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus and Basis of Accounting, continued

Fund Financial Statements, continued

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

Cash and Cash Equivalents

For purposes of financial statement reporting, the Commission considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Certificates of deposit, regardless of maturity, are considered to be cash equivalents.

Capital Assets

Capital assets include furniture and equipment that are used in operations and that have initial useful lives extending beyond a single reporting year.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements

Capital assets are recorded at historical cost, or estimated historical cost, where actual cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

**HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA**

**NOTES TO FINANCIAL STATEMENTS - continued
DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus and Basis of Accounting, continued

Capital Assets, continued

Government-wide Financial Statements, continued

Depreciation of exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Furniture and equipment	\$ 500	Straight-line	3-5 yrs.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. No depreciation expense is recognized.

Equity Classifications

Equity is classified as net position or fund balance and is displayed as follows:

Government-wide Financial Statements

- a. Investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- b. Restricted net position - Is a net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted net position - Any net position that does not meet the definition of "restricted" or "investment in capital assets".

**HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS - continued
DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus and Basis of Accounting, continued

Equity Classifications, continued

Fund Financial Statements

Governmental fund equity is classified as fund balance and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned" and "Unassigned" components.

Application of Net Position

It is the Commission's policy to first use restricted net position, prior to the use of unrestricted, when an expense is incurred for which both purposes are available.

Fund Balance Classification Policies and Procedures

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Commission classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Contracting Officer.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

**HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA**

**NOTES TO FINANCIAL STATEMENTS - continued
DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus and Basis of Accounting, continued

Fund Balance Classification Policies and Procedures, continued

The Commission uses *restricted* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar spending. Additionally, the Commission would first use *committed*, then *assigned*, and lastly *unassigned amounts* of unrestricted fund balance when expenditures are made.

The Commission does not have a formal minimum fund balance policy.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The Housing Commission's deposits are made in qualified public depositories as defined by SDCL 4-6A-1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

**HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA**

**NOTES TO FINANCIAL STATEMENTS - continued
DECEMBER 31, 2012**

2. DEPOSITS AND INVESTMENTS, continued

Investments - As stated in SDCL 11-7-31, a commission shall have power to invest any funds held in reserves or debt service funds, or funds not required for immediate disbursement, in property or securities in which savings banks may legally invest funds subject to their control. In general, SDCL 4-5-6 permits housing authority funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Custodial Credit Risk - Deposits - The risk that, in the event of a depository failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial risk. As of December 31, 2012, the Commission's deposits were fully insured or collateralized and were not exposed to custodial credit risk.

Investments - As of December 31, 2012, the Commission had no investments.

Authorized Investments by the Commission - The Commission does not have a formal investment policy that further limits investments beyond those imposed by statutes.

Interest Rate Risk - The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits eligible investments for the Commission, as discussed above. The Commission has no investment policy that would further limit its investment choices. As of December 31, 2011, there were no investments.

Concentration of Credit Risk - The Commission places no limit on the amount that may be invested in any one issuer. As of December 31, 2012, the Commission had no investments.

**HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS - continued
DECEMBER 31, 2012

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Capital assets being depreciated:</i>				
Furniture and equipment	\$ 27,952	\$ -	\$ -	\$ 27,952
Total capital assets being depreciated	<u>27,952</u>	<u>-</u>	<u>-</u>	<u>27,952</u>
<i>Less accumulated depreciation for:</i>				
Furniture and equipment	<u>20,651</u>	<u>3,982</u>	<u>-</u>	<u>24,633</u>
Total accumulated depreciation	<u>20,651</u>	<u>3,982</u>	<u>-</u>	<u>24,633</u>
Total capital assets being depreciated, net	<u>7,301</u>	<u>(3,982)</u>	<u>-</u>	<u>3,319</u>
Capital assets, net	<u>\$ 7,301</u>	<u>\$ (3,982)</u>	<u>\$ -</u>	<u>\$ 3,319</u>

4. RESTRICTED NET POSITION

The following table shows the net position restricted for excess housing assistance payments:

<u>Project</u>	<u>Restricted By</u>	<u>Amount</u>
Housing Choice Vouchers	Grantor Agency	<u>\$ 58,055</u>
Total Restricted Net Assets		<u>\$ 58,055</u>

5. ECONOMIC DEPENDENCY

The Commission receives grants from the United States Department of Housing and Urban Development (HUD). Approximately 99% of the Commission's revenues for the year ended December 31, 2012 came from the HUD PHA grants provided by the federal government. In the event these grants were discontinued or severely restricted, the activities of the Commission would be curtailed accordingly. During the year ended December 31, 2012, the total amount received was \$1,088,349.

**HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA**

**NOTES TO FINANCIAL STATEMENTS - continued
DECEMBER 31, 2012**

6. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Housing and Redevelopment Commission of Lawrence County, South Dakota has no employees due to the Board of Commissioners decision to contract with Meade County Housing and Redevelopment Commission to manage their housing authority. During the year ended December 31, 2012 the Commission managed its risks as follows:

Liability Insurance

The Commission purchases liability insurance risks related to torts, theft, or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

SUPPLEMENTARY INFORMATION

HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA

Financial Data Schedule
For the Year Ended December 31, 2012

Line Item No.	Description	Total Programs	14.871
			Housing Choice Vouchers
	Balance Sheet		
111	Cash-unrestricted	\$ 146,371	\$ 146,371
112	Cash-restricted-modernization and development	\$ -	\$ -
113	Cash-other restricted	\$ 58,055	\$ 58,055
114	Cash-tenant security deposits	\$ -	\$ -
115	Cash - Restricted for payment of current liability	\$ -	\$ -
100	Total Cash	\$ 204,426	\$ 204,426

121	Accounts receivable - PHA projects	\$ -	\$ -
122	Accounts receivable - HUD other projects		
122-010	Accounts receivable - HUD other projects - Operating Subsidy	\$ -	\$ -
122-020	Accounts receivable - HUD other projects - Capital fund	\$ -	\$ -
122-030	Accounts receivable - HUD other projects - Other	\$ -	\$ -
	Total Accounts receivable - HUD other projects	\$ -	\$ -
124	Account receivable - other government	\$ -	\$ -
125	Accounts receivable - miscellaneous		
125-010	Account receivable - miscellaneous - Not For Profit	\$ -	\$ -
125-020	Account receivable - miscellaneous - Partnership	\$ -	\$ -
125-030	Account receivable - miscellaneous - Joint Venture	\$ -	\$ -
125-040	Account receivable - miscellaneous - Tax Credit	\$ -	\$ -
125-050	Account receivable - miscellaneous - Other	\$ -	\$ -
125-060	Other - Comment		
	Total Account receivable - miscellaneous	\$ -	\$ -
126	Accounts receivable - tenants	\$ -	\$ -
126.1	Allowance for doubtful accounts - tenants	\$ -	\$ -
126.2	Allowance for doubtful accounts - other	\$ -	\$ -
127	Notes, Loans, & Mortgages Receivable - Current	\$ -	\$ -
128	Fraud recovery	\$ 12,814	\$ 12,814
128.1	Allowance for doubtful accounts - fraud	\$ (6,407)	\$ (6,407)
129	Accrued interest receivable	\$ 9	\$ 9
120	Total receivables, net of allowance for doubtful accounts	\$ 6,416	\$ 6,416

131	Investments - unrestricted	\$ -	\$ -
132	Investments - restricted	\$ -	\$ -
135	Investments - Restricted for payment of current liability	\$ -	\$ -
142	Prepaid expenses and other assets	\$ 11,751	\$ 11,751
143	Inventories	\$ -	\$ -

HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA

Financial Data Schedule
For the Year Ended December 31, 2012

Line Item No.	Description	Total Programs	14.871
			Housing Choice Vouchers
	Balance Sheet		
143.1	Allowance for obsolete inventories	\$ -	\$ -
144	Inter program - due from	\$ -	\$ -
145	Assets held for sale	\$ -	\$ -
150	Total Current Assets	\$ 222,593	\$ 222,593

161	Land	\$ -	\$ -
162	Buildings	\$ -	\$ -
163	Furniture, equipment and machinery - dwellings	\$ 27,952	\$ 27,952
164	Furniture, equipment and machinery - administration	\$ -	\$ -
165	Leasehold improvements	\$ -	\$ -
166	Accumulated depreciation	\$ (24,633)	\$ (24,633)
167	Construction in progress	\$ -	\$ -
168	Infrastructure	\$ -	\$ -
160	Total capital assets, net of accumulated depreciation	\$ 3,319	\$ 3,319

171	Notes, Loans, & mortgages receivable - Non-current		
171-010	Notes, Loans, & mortgages receivable - Non-current - Not For Profit	\$ -	\$ -
171-020	Notes, Loans, & mortgages receivable - Non-current - Partnership	\$ -	\$ -
171-030	Notes, Loans, & mortgages receivable - Non-current - Joint Venture	\$ -	\$ -
171-040	Notes, Loans, & mortgages receivable - Non-current - Tax Credit	\$ -	\$ -
171-050	Notes, Loans, & mortgages receivable - Non-current - Other	\$ -	\$ -
171-060	Other - Comment		
	Notes, Loans, & mortgages receivable - Non-current	\$ -	\$ -
172	Notes, Loans, & mortgages receivable - Noncurrent - past due		
172-010	Notes, Loans, & mortgages receivable - Non-current - past due - Not For Profit	\$ -	\$ -
172-020	Notes, Loans, & mortgages receivable - Non-current - Partnership	\$ -	\$ -
172-030	Notes, Loans, & mortgages receivable - Non-current - Joint Venture	\$ -	\$ -
172-040	Notes, Loans, & mortgages receivable - Non-current - Tax Credit	\$ -	\$ -
172-050	Notes, Loans, & mortgages receivable - Non-current - Other	\$ -	\$ -
172-060	Other - Comment		
	Notes, Loans, & mortgages receivable - Non-current - past due	\$ -	\$ -
173	Grants receivable - Non-current	\$ -	\$ -
174	Other assets		
174-010	Other assets - Not For Profit	\$ -	\$ -
174-020	Other assets - Partnership	\$ -	\$ -

HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA

Financial Data Schedule
For the Year Ended December 31, 2012

Line Item No.	Description	Total Programs	14.871
			Housing Choice Vouchers
	Balance Sheet		
174-030	Other assets - Joint Venture	\$ -	\$ -
174-040	Other assets - Tax Credit	\$ -	\$ -
174-050	Other assets - Other	\$ -	\$ -
174-060	Other - Comment		
	Other assets	\$ -	\$ -
176	Investment in joint venture		
176-010	Investment in Joint venture - Not For Profit	\$ -	\$ -
176-020	Investment in Joint venture - Partnership	\$ -	\$ -
176-030	Investment in Joint venture - Joint Venture	\$ -	\$ -
176-040	Investment in Joint venture - Tax Credit	\$ -	\$ -
176-050	Investment in Joint venture - Other	\$ -	\$ -
176-060	Other - Comment		
	Investment in joint venture	\$ -	\$ -
180	Total Non-current Assets	\$ 3,319	\$ 3,319

190	Total Assets	\$ 225,912	\$ 225,912
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311	Bank overdraft	\$ -	\$ -
312	Accounts payable <= 90 days	\$ 300	\$ 300
313	Accounts payable > 90 days past due	\$ -	\$ -
321	Accrued wage/payroll taxes payable	\$ -	\$ -
322	Accrued compensated absences - current portion	\$ -	\$ -
324	Accrued contingency liability	\$ -	\$ -
325	Accrued interest payable	\$ -	\$ -
331	Accounts payable - HUD PHA Programs		
331-010	Accounts payable - HUD PHA Programs - Operating Subsidy	\$ -	\$ -
331-020	Accounts payable - HUD PHA Programs - Capital fund	\$ -	\$ -
331-030	Accounts payable - HUD PHA Programs - Other	\$ -	\$ -
	Accounts payable - HUD PHA Programs	\$ -	\$ -
332	Accounts payable - PHA Projects	\$ -	\$ -
333	Accounts payable - other government	\$ -	\$ -
341	Tenant security deposits	\$ -	\$ -
342	Deferred revenue		
342-010	Deferred revenue - Operating Subsidy	\$ -	\$ -
342-020	Deferred revenue - Capital fund	\$ -	\$ -
342-030	Deferred revenue - Other	\$ 4,504	\$ 4,504

HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA

Financial Data Schedule
For the Year Ended December 31, 2012

Line Item No.	Description	Total Programs	14.871
			Housing Choice Vouchers
	Balance Sheet		
	Deferred revenue	\$ 4,504	\$ 4,504
343	Current portion of long-term debt - capital projects/mortgage revenue bonds		
343-010	CFFP	\$ -	\$ -
343-020	Capital Projects/ Mortgage Revenue	\$ -	\$ -
	Current portion of long-term debt - capital projects/mortgage revenue bonds	\$ -	\$ -
344	Current portion of long-term debt - operating borrowings	\$ -	\$ -
345	Other current liabilities	\$ -	\$ -
346	Accrued liabilities - other	\$ -	\$ -
347	Inter program - due to	\$ -	\$ -
348	Loan liability - current		
348-010	Loan liability - current - Not For Profit	\$ -	\$ -
348-020	Loan liability - current - Partnership	\$ -	\$ -
348-030	Loan liability - current - Joint Venture	\$ -	\$ -
348-040	Loan liability - current - Tax Credit	\$ -	\$ -
348-050	Loan liability - current - Other	\$ -	\$ -
348-060	Other - Comment		
	Loan liability - current	\$ -	\$ -
310	Total Current Liabilities	\$ 4,804	\$ 4,804

351	Capital Projects/Mortgage Revenue Bonds		
351-010	Long-term debt - CFFP	\$ -	\$ -
351-020	Long-term - Capital Projects/ Mortgage Revenue	\$ -	\$ -
	Capital Projects/ Mortgage Revenue Bonds	\$ -	\$ -
352	Long-term debt, net of current - operating borrowings	\$ -	\$ -
353	Non-current liabilities - other	\$ -	\$ -
354	Accrued compensated absences- Non-current	\$ -	\$ -
355	Loan liability - Non-current		
355-010	Loan liability - Non-current - Not For Profit	\$ -	\$ -
355-020	Loan liability - Non-current - Partnership	\$ -	\$ -
355-030	Loan liability - Non-current - Joint Venture	\$ -	\$ -
355-040	Loan liability - Non-current - Tax Credit	\$ -	\$ -
355-050	Loan liability - Non-current - Other	\$ -	\$ -
355-060	Other - Comment		
	Loan liability - Non-current	\$ -	\$ -

HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA

Financial Data Schedule
For the Year Ended December 31, 2012

Line Item No.	Description	Total Programs	14.871
			Housing Choice Vouchers
	Balance Sheet		
356	FASB 5 Liabilities	\$ -	\$ -
357	Accrued Pension and OPEB Liability	\$ -	\$ -
350	Total Non-current liabilities	\$ -	\$ -
300	Total Liabilities	\$ 4,804	\$ 4,804
508.1	Invested in capital assets, net of related debt	\$ 3,319	\$ 3,319
511.1	Restricted Net Assets	\$ 58,055	\$ 58,055
512.1	Unrestricted Net Assets	\$ 159,734	\$ 159,734
513	Total Equity/Net Assets	\$ 221,108	\$ 221,108
600	Total Liabilities and Equity/Net assets	\$ 225,912	\$ 225,912

HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA

Financial Data Schedule
For the Year Ended December 31, 2012

Line Item No.	Description	Total Programs	14.871
			Housing Choice Vouchers
	Income Statement		
70300	Net tenant rental revenue	\$ -	\$ -
70400	Tenant revenue - other	\$ -	\$ -
70500	Total Tenant Revenue	\$ -	\$ -
70600	HUD PHA operating grants	\$ -	\$ -
70600-010	Housing assistance payments	\$ 944,527	\$ 944,527
70600-020	Ongoing administrative fees earned	\$ 143,822	\$ 143,822
70600-030	Hard to house fee revenue	\$ -	\$ -
70600-031	FSS Coordinator	\$ -	\$ -
70600-040	Actual independent public accountant audit costs	\$ -	\$ -
70600-050	Total preliminary fees earned	\$ -	\$ -
70600-060	All other fees	\$ -	\$ -
70600-070	Admin fee calculation description	\$ -	\$ -
	HUD PHA operating grants	\$ 1,088,349	\$ 1,088,349
70610	Capital grants	\$ -	\$ -
70710	Management Fee	\$ -	\$ -
70720	Asset Management Fee	\$ -	\$ -
70730	Book-Keeping Fee	\$ -	\$ -
70740	Front Line Service Fee	\$ -	\$ -
70750	Other Fees	\$ -	\$ -
70700	Total Fee Revenue	\$ -	\$ -
70800	Other government grants	\$ -	\$ -
71100	Investment income - unrestricted		
71100-010	Housing Assistance Payment	\$ -	\$ -
71100-020	Administrative Fee	\$ 255	\$ 255
	Investment income - unrestricted	\$ 255	\$ 255
71200	Mortgage interest income	\$ -	\$ -
71300	Proceeds from disposition of assets held for sale	\$ -	\$ -
71310	Cost of sale of assets	\$ -	\$ -
71400	Fraud recovery		
71400-010	Housing Assistance Payment	\$ 7,978	\$ 7,978
71400-020	Administrative Fee	\$ 7,978	\$ 7,978
	Fraud recovery	\$ 15,956	\$ 15,956
71500	Other revenue	\$ -	\$ -
71600	Gain or loss on sale of capital assets	\$ -	\$ -
72000	Investment income - restricted		
72000-010	Housing Assistance Payment	\$ 197	\$ 197
72000-020	Administrative Fee	\$ -	\$ -
	Investment income - restricted	\$ 197	\$ 197

HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA

Financial Data Schedule
For the Year Ended December 31, 2012

			14.871
Line Item No.	Description	Total Programs	Housing Choice Vouchers
	Income Statement		
70000	Total Revenue	\$ 1,104,757	\$ 1,104,757
91100	Administrative salaries	\$ -	\$ -
91200	Auditing fees	\$ 7,653	\$ 7,653
91300	Management Fee	\$ 142,922	\$ 142,922
91310	Book-Keeping Fee	\$ -	\$ -
91400	Advertising and Marketing	\$ -	\$ -
91500	Employee benefit contributions - administrative	\$ -	\$ -
91600	Office Expenses	\$ -	\$ -
91700	Legal Expense	\$ -	\$ -
91800	Travel	\$ 6,517	\$ 6,517
91810	Allocated Overhead	\$ -	\$ -
91900	Other	\$ 7,360	\$ 7,360
91000	Total Operating-Administrative	\$ 164,452	\$ 164,452
92000	Asset Management Fee	\$ -	\$ -
92100	Tenant services - salaries	\$ -	\$ -
92200	Relocation Costs	\$ -	\$ -
92300	Employee benefit contributions - tenant services	\$ -	\$ -
92400	Tenant services - other	\$ -	\$ -
92500	Total Tenant Services	\$ -	\$ -
93100	Water	\$ -	\$ -
93200	Electricity	\$ -	\$ -
93300	Gas	\$ -	\$ -
93400	Fuel	\$ -	\$ -
93500	Labor	\$ -	\$ -
93600	Sewer	\$ -	\$ -
93700	Employee benefit contributions - utilities	\$ -	\$ -
93800	Other utilities expense	\$ -	\$ -
93000	Total Utilities	\$ -	\$ -
94100	Ordinary maintenance and operations - labor	\$ -	\$ -
94200	Ordinary maintenance and operations - materials and other	\$ -	\$ -
94300	Ordinary Maintenance and Operations Contracts		
94300-010	Ordinary Maintenance and Operations Contracts - Garbage and Trash Removal Contracts	\$ -	\$ -
94300-020	Ordinary Maintenance and Operations Contracts - Heating & Cooling Contracts	\$ -	\$ -
94300-030	Ordinary Maintenance and Operations Contracts - Snow Removal Contracts	\$ -	\$ -

HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA

Financial Data Schedule
For the Year Ended December 31, 2012

			14,871
Line Item No.	Description	Total Programs	Housing Choice Vouchers
Income Statement			
94300-040	Ordinary Maintenance and Operations Contracts - Elevator Maintenance Contracts	\$ -	\$ -
94300-050	Ordinary Maintenance and Operations Contracts - Landscape & Grounds Contracts	\$ -	\$ -
94300-060	Ordinary Maintenance and Operations Contracts - Unit Turnaround Contracts	\$ -	\$ -
94300-070	Ordinary Maintenance and Operations Contracts - Electrical Contracts	\$ -	\$ -
94300-080	Ordinary Maintenance and Operations Contracts - Plumbing Contracts	\$ -	\$ -
94300-090	Ordinary Maintenance and Operations Contracts - Extermination Contracts	\$ -	\$ -
94300-100	Ordinary Maintenance and Operations Contracts - Janitorial Contracts	\$ -	\$ -
94300-110	Ordinary Maintenance and Operations Contracts - Routine Maintenance Contracts	\$ -	\$ -
94300-120	Ordinary Maintenance and Operations Contracts - Misc Contracts	\$ 34	\$ 34
	Ordinary Maintenance and Operations Contracts	\$ 34	\$ 34
94500	Employee benefit contribution - ordinary maintenance	\$ -	\$ -
94000	Total Maintenance	\$ 34	\$ 34
95100	Protective services - labor	\$ -	\$ -
95200	Protective services - other contract costs	\$ -	\$ -
95300	Protective services - other	\$ -	\$ -
95500	Employee benefit contributions - protective services	\$ -	\$ -
95000	Total Protective Services	\$ -	\$ -
96110	Property Insurance	\$ -	\$ -
96120	Liability Insurance	\$ -	\$ -
96130	Workmen's Compensation	\$ -	\$ -
96140	All Other Insurance	\$ 3,139	\$ 3,139
96100	Total Insurance Premiums	\$ 3,139	\$ 3,139
96200	Other general expenses	\$ -	\$ -
96210	Compensated absences	\$ -	\$ -
96300	Payments in lieu of taxes	\$ -	\$ -
96400	Bad debt - tenant rents	\$ -	\$ -
96500	Bad debt - mortgages	\$ -	\$ -
96600	Bad debt - other	\$ 3,411	\$ 3,411
96800	Severance expense	\$ -	\$ -
96000	Total Other General Expenses	\$ 3,411	\$ 3,411
96710	Interest of Mortgage (or Bonds) Payable	\$ -	\$ -
96720	Interest on Notes Payable (Short and Long Term)	\$ -	\$ -
96730	Amortization of Bond Issue Costs	\$ -	\$ -
96700	Total Interest Expense and Amortization Cost	\$ -	\$ -
96900	Total Operating Expenses	\$ 171,036	\$ 171,036

HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA

Financial Data Schedule
For the Year Ended December 31, 2012

Line Item No.	Description	Total Programs	14.871 Housing Choice Vouchers
Income Statement			

97000	Excess Revenue Over Operating Expenses	\$ 933,721	\$ 933,721
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97100	Extraordinary maintenance	\$ -	\$ -
97200	Casualty losses- Non-capitalized	\$ -	\$ -
97300	Housing assistance payments		
97300-010	Mainstream 1 & 5 year	\$ -	\$ -
97300-020	Home-Ownership	\$ -	\$ -
97300-025	Litigation	\$ -	\$ -
97300-030	Hope IV	\$ -	\$ -
97300-035	Moving to Work	\$ -	\$ -
97300-040	Tenant Protection	\$ 7,871	\$ 7,871
97300-050	All Other	\$ 1,061,822	\$ 1,061,822
	Housing assistance payments	\$ 1,069,693	\$ 1,069,693
97350	HAP Portability-in	\$ -	\$ -
97400	Depreciation expense	\$ 3,982	\$ 3,982
97500	Fraud losses	\$ -	\$ -
97800	Dwelling units rent expense	\$ -	\$ -
90000	Total Expenses	\$ 1,244,711	\$ 1,244,711

10010	Operating transfer in	\$ -	\$ -
10020	Operating transfer out	\$ -	\$ -
10030	Operating transfers from / to primary government		
10030-010	Not For Profit	\$ -	\$ -
10030-020	Partnership	\$ -	\$ -
10030-030	Joint Venture	\$ -	\$ -
10030-040	Tax Credit	\$ -	\$ -
10030-050	Other	\$ -	\$ -
10030-060	Other Comment	\$ -	\$ -
10030	Operating transfers from / to primary government	\$ -	\$ -
10040	Operating transfers from / to component unit	\$ -	\$ -
10070	Extraordinary items, net gain/loss	\$ -	\$ -
10080	Special items, net gain/loss	\$ -	\$ -
10091	Inter Project Excess Cash Transfer In	\$ -	\$ -
10092	Inter Project Excess Cash Transfer Out	\$ -	\$ -
10093	Transfers between Programs and Projects - in	\$ -	\$ -
10094	Transfers between Programs and Projects - out	\$ -	\$ -
10100	Total other financing sources (uses)	\$ -	\$ -

10000	Excess (Deficiency) of Revenue Over (Under) Expenses	\$ (139,954)	\$ (139,954)
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11020	Required Annual Debt Principal Payments	\$ -	\$ -
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HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA

Financial Data Schedule
For the Year Ended December 31, 2012

Line Item No.	Description	Total Programs	14.871
			Housing Choice Vouchers
	Income Statement		

11030	Beginning equity	\$ 353,761	\$ 353,761
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11040	Prior period adjustments, equity transfers, and correction of errors		
11040-010	Prior period adjustments and correction of errors - Editable	\$ 7,301	\$ 7,301
11040-020	Prior period adjustments and correction of errors - Editable	\$ -	\$ -
11040-030	Prior period adjustments and correction of errors - Editable	\$ -	\$ -
11040-040	Prior period adjustments and correction of errors - Editable	\$ -	\$ -
11040-050	Prior period adjustments and correction of errors - Editable	\$ -	\$ -
11040-060	Prior period adjustments and correction of errors - Editable	\$ -	\$ -
11040-070	Equity Transfers	\$ -	\$ -
11040-080	Equity Transfers	\$ -	\$ -
11040-090	Equity Transfers	\$ -	\$ -
11040-100	Equity Transfers	\$ -	\$ -
11040-110	Equity Transfers	\$ -	\$ -
	Prior period adjustments, equity transfers, and correction of errors	\$ 7,301	\$ 7,301

11170	Administrative Fee Equity		
11170-001	Administrative Fee Equity- Beginning Balance	\$ 177,009	\$ 177,009
11170-010	Administrative Fee Revenue	\$ 143,822	\$ 143,822
11170-020	Hard to House Fee Revenue	\$ -	
11170-021	FSS Coordinator Grant	\$ -	
11170-030	Audit Costs	\$ -	
11170-040	Investment Income	\$ 255	\$ 255
11170-045	Fraud Recovery Revenue	\$ 7,978	\$ 7,978
11170-050	Other Revenue	\$ 9,007	\$ 9,007
11170-051	Comment for Other Revenue		HAP portion of bad debt (1,706), prior period adjustment (9,007)
11170-060	Total Admin Fee Revenues	\$ 161,062	\$ 161,062
11170-080	Total Operating Expenses	\$ 171,036	\$ 171,036
11170-090	Depreciation	\$ 3,982	\$ 3,982
11170-095	Housing Assistance Portability In	\$ -	\$ -
11170-100	Other Expenses	\$ -	\$ -
11170-101	Comment for Other Expense		
11170-110	Total Expenses	\$ 175,018	\$ 175,018
11170-002	Net Administrative Fee	\$ (13,956)	\$ (13,956)
11170-003	Administrative Fee Equity- Ending Balance	\$ 163,053	\$ 163,053
	Administrative Fee Equity	\$ 163,053	\$ 163,053

HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA

Financial Data Schedule
For the Year Ended December 31, 2012

			14.871
Line Item No.	Description	Total Programs	Housing Choice Vouchers
	Income Statement		
11180	Housing Assistance Payments Equity		
11180-001	Housing Assistance Payments Equity - Beginning Balance	\$ 176,752	\$ 176,752
11180-010	Housing Assistance Payment Revenues	\$ 944,527	\$ 944,527
11180-015	Fraud Recovery Revenue	\$ 7,978	\$ 7,978
11180-020	Other Revenue	\$ -	\$ -
11180-021	Comment for Other Revenue		
11180-025	Investment Income	\$ 197	\$ 197
11180-030	Total HAP Revenues	\$ 952,702	\$ 952,702
11180-080	Housing Assistance Payments	\$ 1,069,693	\$ 1,069,693
11180-090	Other Expenses	\$ 1,706	\$ 1,706
11180-091	Comments for Other Expenses		HAP portion of bad debt
11180-100	Total Housing Assistance Payments Expenses	\$ 1,071,399	\$ 1,071,399
11180-002	Net Housing Assistance Payments	\$ (118,697)	\$ (118,697)
11180-003	Housing Assistance Payments Equity-Ending Balance	\$ 58,055	\$ 58,055
	Housing Assistance Payments Equity	\$ 58,055	\$ 58,055
11190	Unit Months Available		
11190-210	Total ACC HCV Units	\$ 3,528	\$ 3,528
11190-220	Unfunded Units	\$ -	\$ -
11190-230	Other Adjustments	\$ (153)	\$ (153)
11190	Unit Months Available	\$ 3,375	\$ 3,375
11210	Unit Months Leased	\$ 3,196	\$ 3,196
11270	Excess Cash	\$ -	\$ -
11610	Land Purchases	\$ -	\$ -
11620	Building Purchases	\$ -	\$ -
11630	Furniture & Equipment-Dwelling Purchases	\$ -	\$ -
11640	Furniture & Equipment-Administrative Purchases	\$ -	\$ -
11650	Leasehold Improvements Purchases	\$ -	\$ -
11660	Infrastructure Purchases	\$ -	\$ -
13510	CFFP Debt Service Payments	\$ -	\$ -
13901	Replacement Housing Factor Funds	\$ -	\$ -

HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA

Financial Data Schedule
For the Year Ended December 31, 2012

Financial Statements		
Element	Description	Value
G3000-005	Financial Statements Using Basis Other Than GAAP	NO
G3000-010	Fund Opinion(s)	-
-	Qualified Opinion	NO
-	Unqualified Opinion	YES
-	Adverse Opinion	NO
-	Disclaimer Opinion	NO
G3000-020	"Going Concern" Indicator	NO
G3000-030	Significant Deficiency Indicator	NO
G3000-230	Does the Deficiency relate to the Low Rent or Capital Fund?	N/A
G3000-240	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	N/A
G3000-040	Material Weakness Indicator	NO
G3000-250	Does the material weakness relate to the Low Rent or Capital Fund Program?	N/A
G3000-260	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	N/A
G3000-050	Material Noncompliance Indicator	NO
G3000-270	Does the non-compliance relate to the Low Rent or Capital Fund Program?	N/A
G3000-280	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	N/A
G3000-060	Fraud	NO
G3000-290	Does the activity relate to the Low Rent or Capital Fund Program?	N/A
G3000-300	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	N/A
G3000-070	Illegal Acts	NO
G3000-310	Does the activity relate to the Low Rent or Capital Fund Program?	N/A
G3000-320	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	N/A
G3000-080	Abuse	NO
G3000-330	Does the activity relate to the Low Rent or Capital Fund Program?	N/A
G3000-340	Enter number of occurrences that relate to the Low Rent or Capital Fund Program.	N/A

HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA

Financial Data Schedule
For the Year Ended December 31, 2012

Financial Statement Fund Opinion Details		
Element	Description	Details
G3000-200	Fund Type of the fund containing the listed program	MAJOR
G3000-210	Fund Opinion of the fund containing the listed program	UNQUALIFIED
G3000-220	Is the departure or qualification related to the Capital Fund or Low Rent Programs?	N/A

IF YOU DO NOT RECEIVE AN A-133 AUDIT, DO NOT COMPLETE THIS TAB.

Federal Programs		
Element	Description	Value
G4000-020	Dollar Threshold Used to Distinguish Type A and Type B Programs	\$ 300,000
G4000-030	Low-Risk Auditee Indicator	YES
G4000-040	Indicator-Any Audit Findings Disclosed that are Required to be Reported	NO
G4000-080	Was a Schedule of Prior Audit Findings prepared?	YES
G4100-040	Total Federal Awards Expended (This cell is populated by G4100-030 from the "Federal Award Details" Tab)	\$ 1,088,349

HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA

Financial Data Schedule
For the Year Ended December 31, 2012

**FOR ALL NON-FEDERAL PROGRAMS LISTED, PLEASE LEAVE THOSE COLUMNS
IF YOU DO NOT RECEIVE AN A-133 AUDIT, DO NOT COMPLETE THIS TAB.**

Federal Award Details		
Element	Description	Details
G4100-030	Amount Expended	\$ 1,088,349
G4200-010	Major Federal Program Indicator	YES
G4200-050	Type of Opinion on Major Federal Program	UNQUALIFIED
G4200-060	Number of A-133 Compliance Audit Findings	0
G4200-100	Significant Deficiency Indicator	NO
G4200-200	Number of Significant Deficiencies	0
G4200-110	Material Weakness Indicator	NO
G4200-210	Number of Material Weaknesses	0
G4200-120	Material Noncompliance Indicator	NO
G4200-220	Number of Material Noncompliance	0
G4200-070	Audit Finding Reference Number	N/A
G4200-090	Are Awards Received Directly from a Federal Agency?	YES
G4100-050	Total Amount of Questioned Costs	\$ -

Supplemental Information		
Element	Description	Value
G3100-040	SAS 29 "in relation to" opinion on the Financial Data Schedule	FAIRLY STATED
G3100-050	Is MD&A omitted ?	NO
G3100-060	Is other supplemental information omitted?	NO

HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL
CFDA DISBURSEMENTS/
NUMBER EXPENDITURES

U.S. DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT

Direct Funding:

Section 8 Housing Choice Voucher Program	14.871	<u>\$ 1,088,349</u>
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Note 1: The accompanying Schedule of Expenditures includes the federal grant activity of the Commission and is presented on the full accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



certified public accountants

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Housing and Redevelopment Commission
of Lawrence County, South Dakota
Sturgis, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the **Housing and Redevelopment Commission of Lawrence County, South Dakota, a component unit of Lawrence County, South Dakota**, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Housing and Redevelopment Commission of Lawrence County, South Dakota's basic financial statements, and have issued our report thereon dated September 20, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing and Redevelopment Commission of Lawrence County, South Dakota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing and Redevelopment Commission of Lawrence County, South Dakota's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing and Redevelopment Commission of Lawrence County, South Dakota's internal control.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing and Redevelopment Commission of Lawrence County, South Dakota's statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is matter of public record and its distribution is not limited.

Wohlschlag Ritzman & Co., LLC

Yankton, South Dakota
September 20, 2013

Wahlenberg Ritzman & Co., LLC

certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Commissioners
Housing and Redevelopment Commission
of Lawrence County, South Dakota
Sturgis, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Housing and Redevelopment Commission of Lawrence County, South Dakota's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Housing and Redevelopment Commission of Lawrence County, South Dakota, a component unit of Lawrence County, South Dakota's major federal program for the year ended December 31, 2012. The Housing and Redevelopment Commission of Lawrence County, South Dakota's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

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Member of: Private Companies Practice Section American Institute of CPA's, South Dakota Society of CPA's

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Housing and Redevelopment Commission of Lawrence County, South Dakota's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing and Redevelopment Commission of Lawrence County, South Dakota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Housing and Redevelopment Commission of Lawrence County, South Dakota's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing and Redevelopment Commission of Lawrence County, South Dakota, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Report on Internal Control over Compliance

Management of the Housing and Redevelopment Commission of Lawrence County, South Dakota, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing and Redevelopment Commission of Lawrence County, South Dakota's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing and Redevelopment Commission of Lawrence County, South Dakota's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to *merit* attention by those charged with governance.

Our consideration of internal control over compliance was for the *limited* purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

Wohlberg Ritzman + Co., LLC

Yankton, South Dakota
September 20, 2013

**HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012**

PRIOR AUDIT FINDINGS

There are no prior audit findings to report.

**HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X none reported
- Significant deficiencies identified? _____ yes X none reported

Noncompliance material to financial
statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X none reported
- Significant deficiencies identified? _____ yes X none reported

Type of auditor's report issued on
compliance for major programs Unmodified

Audit findings disclosed that are required to
be reported in accordance with Section
510(a) of OMB Circular A-133 _____ yes X no

Identification of major programs:

CFDA Numbers
14.871

Name of Federal Program or Cluster
Section 8 Housing Choice Voucher Program

Dollar Threshold used to distinguish
between Type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? X yes _____ no

**HOUSING AND REDEVELOPMENT COMMISSION OF
LAWRENCE COUNTY, SOUTH DAKOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
FOR THE YEAR ENDED DECEMBER 31, 2012**

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no financial statement audit findings reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award audit findings reported.